

Message Text

SECRET

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43

ACTION NEA-06

INFO OCT-01 SS-14 ISO-00 NSC-07 NSCE-00 CIAE-00 INR-10

NSAE-00 RSC-01 EB-03 L-02 CIEP-01 FEA-01 TRSE-00

COME-00 SP-01 SSO-00 INRE-00 NEAE-00 EUR-10 IO-03

DRC-01 /061 W

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O R 211400Z MAY 74

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC IMMEDIATE 9647

INFO AMEMBASSY ABU DHABI

AMCONSUL DHAHRAN

AMEMBASSY JIDDA

AMEMBASSY LONDON

USMISSION OECD PARIS

AMEMBASSY TEHRAN

S E C R E T KUWAPT 2021

LIMDIS

STATE ALSO FOR T/IEP

EO 11652: GDS

TAGS: ENRG, KU

SUBJ: KUWAIT BUY-BACK NEGOTIATIONS

1. RALSTON (GULF) AND SUTCLIFFE (BP) CALLED ON ME TODAY TO BRIEF ME ON STATUS CURRENT BUY-BACK NEGOTIATIONS. THEY EXPLAINED THAT COMPANIES HAD ARBITRARILY SET KUWAITI BUY-BACK OIL PRICE AT \$10.50. COMPANIES' EQUITY OIL IS \$7.00. THUS AVERAGE PRICE FOR ALL KUWAITI CRUDE IS ABOUT \$9.50 IN EUROPE.

2. MINISTRY FINANCE AND OIL REP SHAIKH ALI KHALIFA GAVE GULF AND BP REPS VERY HARD TIME MAY 20. HE SAID GOK WANTS RAISE TAXES ON EQUITY OIL FROM \$7.00 TO "AT LEAST" \$10.00 OR \$10.50.

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COMPANY REPS SAID THIS WOULD RAISE AVERAGE COST OF BARREL KUWAIT

CRUDE ANOTHER \$1.20 ABOVE PRESENT \$9.50 AVERAGE.

3. ALI KHALIFA WENT ON TO SAY EVEN 93 PERCENT OF POSTED PRICE (\$10.73) WAS TOO LOW FOR EQUITY OIL. HE WANTS 97 OR 98 PERCENT POSTED PRICE OR ANOTHER 50 CENTS ABOVE \$10.73. HE ALSO SAID AT OPEC MEETING IN QUITO GOK WOULD PRESS FOR HIGHER PRICES AND PREDICTED OPEC WOULD DECIDE ON HIGHER PRICES. ALI KHALIFA DESCRIBED YAMANI AS BEING "HYPROCRITICAL" WHEN HE TOLD US SAUDIS PRESSING FOR LOWER PRICES. HE EXPECTS SAUDIS WOULD ALSO AGREE TO HIGHER PRICES IN QUITO.

4. SUTCLIFFE ALLUDED TO DISCUSSIONS BETWEEN WASHINGTON AND LONDON WITH USG URGING HMG TO PRESS BP NOT TO ACCEDE TO 93 PERCENT OF POSTED PRICE FOR KUWAITI BUY-BACK OIL. SUTCLIFFE SAID HE EXPECTED CALL FROM BP LONDON EVENING MAY 21 LOCAL KUWAIT TIME EITHER GIVING HIM OPTION OF SETTLING FOR BEST PRICE HE COULD OR INSTRUCTING HIM NOT RPT NOT TO ACCEDE TO PRICE ABOVE \$10.50. SUTCLIFFE SAID WITH KUWAITIS "HOLDING ALL THE CARDS" HE DID NOT SEE HOW BP COULD INSIST ON HOLDING ANY PRICE LINE. ONLY PLOY HE HAD THOUGHT OF WAS TO MAKE ANY BUY-BACK AGREEMENT FOR AS SHORT A PERIOD AS POSSIBLE AND HOPE FOR SOME BREAK LATER. SUTCLIFFE SAID IN ANY CASE HE BELIEVED GULF SHOULD RECEIVE SAME INSTRUCTIONS AS BP, OTHERWISE NO WAY COMPANIES WOULD HAVE ANY CHANCE HOLDING ANY LINE.

5. I COMMENTED THAT IT CONCEIVABLE ATIQUI WOULD TAKE SOMEWHAT SOFTER LINE WHEN COMPANY REPS SAW HIM MAY 22. HOWEVER, IN THIS ELECTION YEAR IN KUWAIT AND WITH GOK HAVING DRAWN DOWN ITS POLITICAL CREDIT GREATLY IN PUSHING 60-40 PARTICIPATION THROUGH REBELLIOUS NATIONAL ASSEMBLY, MINISTER FINANCE AND OIL MIGHT VERY WELL NOT HAVE ABILITY--EVEN IF HE HAD THE WILL--TO TAKE MODERATE LINE ON PRICES.

6. COMMENT: HOPE TO HAVE ADDITIONAL DETAILS FOLLOWING MAY 22 MEETING BETWEEN COMPANY REPS AND ATIQUI. WILL WITHHOLD OUR COMMENT PENDING RESULTS THAT SESSION. (SEE ALSO SEPTTEL ON ATIQUI'S LATEST REMARKS ON GOK OIL POLICY).
STOLTZFUS

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